THE EFFECT OF HUMAN AND SOCIAL CAPITAL ON THE KNOWLEDGE OF FINANCING ALTERNATIVES BY NEW SMALL BUSINESS OWNERS IN SOUTH AFRICA

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Abstract

The failure rate of new SMEs is very high in South Africa. Financing constraints is one of the major causes of failure. The knowledge of the alternative sources of finance can help to reduce the financing constraints faced by new SMEs. The study investigated the effect of human and social capital on the understanding of financing alternatives. Self- administered questionnaire was used in a survey to collect data from data were from 136 owners of new SMEs in the Limpopo province of South Africa. The Cronbach's alpha was used as a measure of internal consistency. Descriptive statistics and independent samples T-test used for data analysis. The results indicated that new SME owners with higher levels of generic and specific human capital have a better knowledge of financing alternatives. There are significant differences in the level of education and business courses and the knowledge of factoring, venture capital, Alt-X, bootstrapping, Islamic baking and crowdfunding. New SME owners with social capital as measured by direct and indirect ties have a better knowledge of financing alternatives.

Keywords: SME's, South Africa, Human Capital, Social Capital

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1 Introduction and background

South Africa has an unemployment rate of 24.3% (Statistics South Africa 2015). The unemployment rate in South Africa is one of the highest in the world (Kingdon & Knight 2007:816), (Brynard 2011:68). According to de Witte *et al.* (2012:235), unemployment has negative consequences for individuals, families and the country. The negative impact of South Africa's high rate of unemployment includes the erosion of human capital, crime, xenophobia, social exclusion and social instability. Statistics South Africa (2014) reports that poverty level in South Africa has reduced from 57.2% in 2006 to 45.5% in 2011. However, poverty level is still unacceptably high in South Africa with twenty three million people classified as poor in 2011. Inequality is a bigger problem. The Gini coefficient of South Africa was 0.69 in 2011. This is one of the highest levels of inequality in the world (Statistics South Africa 2014). Other development challenges facing South Africa include high levels of crime and rural to urban migration (Chiloane-Tsoka & Mmako 2014:377).

Small and medium enterprises (SMEs) are expected to be one of the vehicles to address these development challenges (FinScope 2011:9). Approximately 91% of all business entities in South Africa are SMEs. The SME sector contributes 61% to employment and 52 to 57% of South Africa's gross domestic product (Abor & Quartey 2010:218), (Khan 2014:1). In addition, SMEs act as a catalyst for economic growth, are sub-contractors to large firms, a testing ground for new products and facilitate innovation and competition. Job creation by SMEs has a multiplier effect on social-economic activities and helps to reduce poverty in South Africa (Dlodlo & Dhurup 2010:165). The contribution of the SME sector cannot be sustained without the creation and survival of new SMEs (Fatoki & Garwe 2010:729). The sustainability of new SMEs is vital to the economic prosperity of South Africa. A new SME can be described as an SME that has been in existence for less than forty two months. (Herrington *et al*. 2009:3).

However, despite the contribution of the SME sector to the South Africa economy, these business entities suffer from a high failure rate. Scheers (2010) asserts that 40% of new SMEs fail in the first year of existence. Furthermore, 60% fail in the second year and 90% in the first ten years of existence. The high failure rate of new SMEs has negative implications on the social-economic development of South Africa. The causes of the failure of new SMEs include lack of finance, lack of management skills, high cost of production, crime, repressive labour laws and regulations (Cant and Wiid 2013:707). Lack of finance is a major constraint to the growth of new SMEs in South Africa. Many new SME owners start their businesses with their personal capital which is often inadequate (Herrington *et al*. 2009:5). New SMEs find it difficult to access both debt and equity markets (Organisation for Economic Cooperation and Development 2014:6).

Matshekga and Urban (2013:259) point out that researchers studying the financial constraints of SMEs have primarily focused on supply-side arguments, thus putting the decision making of owners in the background. It is true that the inadequate financing of SMEs is to a significant extent rooted in supply-side factors (De la Torre *et al*. 2008:5). However, financial constraints are also caused by demand-side factors especially entrepreneur's characteristics. Therefore, access to finance by SMEs is influenced by both supply and demand factors (Gregory 2013:2). It is important to understand the demand-side argument of the financing constraints for new SMEs (Matshekga & Urban 2013:259).

Seghers *et al*. (2009:2) argue that entrepreneurs are the driving force in important financial decisions. Traditional finance theories assume that entrepreneurs know the potential financial alternatives with their advantages and disadvantages. However, entrepreneurs may face finance constraints because of their inadequate knowledge (a knowledge gap) of financing alternatives. Consequently, a large proportion of SMEs are excluded from the financial market (National Credit Regulator 2011:11). Many factors including firm and entrepreneurs' characteristics can influence on the knowledge of financing alternatives by the owners of SMEs (Okafor & Amalu 2010:69), (Kamukama & Natamba 2013:205), (Matshekga & Urban 2013:259).

This study focuses on the effect of the entrepreneur's human and social capital on the knowledge of financing alternatives by new SME owners. A thorough review of the literature revealed that the financing constraints of SMEs have stimulated many studies in South Africa (Abor & Quartey 2010), (Arko-Achemfuor 2012). However, no South African study has investigated empirically the factors that can influence the knowledge of financing alternatives by the owners of new SMEs. This study makes a contribution to the research on the knowledge and understanding of financing alternatives available to new SMEs. Improving access to finance is one of the ways of reducing the high failure rate of new SMEs in South Africa.

2 The objectives of the study

The objectives of the study are (1) to examine the knowledge of financing alternatives by the owners of new SMEs (2) to investigate the effect of human and social capital of the owners of new SMEs on the knowledge of financing alternatives. Specifically the study will examine if there are significant differences in the knowledge of financing alternatives on the basis of human and social capital.

3 Literature review

3.1 Small and medium enterprises

The National Small Business Act of South Africa of 1996, as amended in 2003, defines a SME as "a separate and distinct entity including cooperative enterprises and non-governmental organisations managed by one owner or more, including its branches or subsidiaries if any is predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards, and can be classified as an SME by satisfying the criteria mentioned in the schedule of size standards" (Government Gazette of the Republic of South Africa 2003). The National Small Business Act provides a schedule of size standards for the definition of SMEs in all the sectors of the South African economy. The SME sector can be categorised into four separate groups. These are micro, very small, small and medium. The groups are distinguishable by the required turnover, gross asset value and the number of employees (Government Gazette of the Republic of South Africa 2003). This study used the number of employees to classify SMEs. The failure rate of new SMEs is very high in South Africa (Scheers 2010). Financing constraints is one of the causes of failure (Arko-Achemfuor 2012). According to Atieno (2009:33) owners' funds are not usually adequate to grow a business. External finance is needed for new firms to start and expand operations, develop new products, invest in new staff or production facilities. Therefore, new SMEs often need financing from external sources.

3.2 Capital structure theories

The capital structure can be described as the way in which a firm raises capital needed to commence and expand its business operations. It is the mix of debt and equity that a firm uses to finance its activities (Niu 2008:133). According to Salehi & Biglar (2009:97), the theoretical principles that explain capital structure can generally be viewed in terms of the static trade-off theory by Modigliani and Miller (1958, 1963), the agency theory by Jensen and Meckling (1976) and the pecking order theory by Myers (1984). The genesis of modern capital structure theory can be traced to Modigliani and Miller (1958). The theory argues that the capital structure choice does not affect the value of a firm. The theory was based on some perfect market assumptions. These were no corporate taxes, no brokerage or floatation cost for securities, and symmetrical information. The value of a firm is determined by its assets and not the ways by which the assets are financed. Modigliani and Miller (1963) noted that perfect markets do not exist in the real world and introduced the tax benefits of debt. Interest on debt is tax deductible and creates tax savings for the borrower. A firm's cost of capital can be minimised and shareholders' funds maximised through the use of debt. The agency theory by Jensen and Meckling (1976) recognised two kinds of agency conflict. (1) conflict between managers and shareholders (2) conflict between equityholders and debt holders. The agency theory explains the problems associated with ownership, management and credit. Issues related to moral hazard, information asymmetry and adverse selection can occur in contractual arrangements between external providers of finance and firms. The pecking order theory argues that there is no defined debt to value ratio. The management of a firm should use internal finance before external finance. When external finance is needed, debt is preferred to new equity (Myers 1984:575).

3.3 Financing alternatives

The financing alternatives of a firm can be broadly classified under debt and equity. Debt finance includes short and long-term borrowings by a firm on which interest is paid. In contrast to debt capital, equity is not repaid to the investors in the normal course of business. Equity denotes the risk capital contributed by the owners of the business or by external investors (Niu 2008:133). Equity can be internal or external. According to Ou & Haynes (2006:157), internal equity which can be described as owners' contributions, contributions from family and friends and retained earnings, is used more widely by SMEs. External equity involves equity contribution from external sources such as business angels, venture capitalists and the stock exchange **(**Berger & Udell 2006:2953).

Niu (2008:133) points out that a new SME can use external debt or and equity. Both financing alternatives have their advantages and disadvantages. An important advantage of debt over equity is that interest payments on debt are tax-deductible. This creates tax savings and reduces the cost of capital for the business. Also, control is maintained by the owner of the business. In addition, profit after interest payment belongs to the business owner. A disadvantage of debt finance is that interest on debt must be paid whether the business makes a profit or not. The advantages of equity include (1) the investor does not need to pay back equity contribution and external equityholders can provide valuable management experience and business contacts. However, with external equity, the business owner loses full control of the business (Niu 2008:133), (Ebiringa 2012:179).

Commercial banks are a major source of financing debt financing for new SMEs. Commercial banks debt-related facilities for new SMEs include overdraft, term loans, business mortgages, trade, factoring (debtor finance) , leasing, leasing, hire purchase and government loan guarantee schemes (Abdulsaleh & Worthington 2013:40). Another source of debt finance for new SMEs is trade credit. Huyghebaert *et al*. (2007:436) point out that trade credit arises when a firm purchases goods and services for which payment is delayed. Government agencies such as the Small Enterprise Finance Agency (SEFA) provide finance to SMEs. This includes bridging loans, term loans, structured finance and credit guarantee products (Small Enterprise Finance Agency 2015). Microfinance institutions provide credit facilities to the smallest SMEs (Babajide 2012:463).

Abdulsaleh & Worthington (2013:42) note that two major sources of external equity are venture capitalists and business angels. Venture capitalists are firms who make equity investments in firms with an opportunity for growth. Business angels are a diverse group of high net worth individuals who invest in high-risk/high-return entrepreneurial ventures. In addition, new SMEs can source for equity investments through the stock exchange. In South Africa, the Alt X was launched in October 2003 as a parallel market to the Main board of the Johannesburg Stock Exchange (JSE). The Alt X is specifically aimed at attracting SMEs to list on the JSE (Johannesburg Stock Exchange 2015).

Commercial bank debt instruments, trade credit, micro credit venture capital, business angels and the stock market can be described as traditional financing options for SMEs (Schwienbacher & Larralde, 2010). Innovative financing options include bootstrapping and crowdfunding. Bootstrapping can be described as creative ways to avoid the need for external finance through thriftiness, creativity and cost-cutting. It involves the use of innovative methods that (i) minimise the amount of finance a firm needs to raise through from traditional external sources of finance and (ii) allow a firm to obtain resources owned by others at little or no cost (Winborg 2008), (Vanacker *et al.* 2011). Crowdfunding involves the provision of finance for SMEs through many small investors usually through the Internet (Collins 2014).

Crowdfunding is a financing source that can help to avoid the limitations of the traditional financing models (Schwienbacher & Larralde, 2010). Islamic banking provides an alternative to traditional financing for Muslims and non-Muslims SMEs that wish to operate in line with Shari'ah Law. Islamic banking is interest free banking. The financing of assets is done through some options which include repayments on an instalment basis and pre-agreed profit sharing (Ali & Farruk, 2013:28). Banks in South Africa that are involved in Islamic banking include ABSA, FirstRand, Al Baraka, HBZ Bank (Banking Association of South Africa 2015).

3.4 Human capital and knowledge of financing alternatives

Unger *et al*. (2011:344) describe human capital as knowledge and skills and knowledge that an individual gain through investment in schooling, on-the-job training and experience. Human capital helps the business owner to acquire financial resources as it is one of the factors that investors attach importance to when evaluating credit applications. Hsu (2007:722) finds that prior experience increases the probability of obtaining capital from investors. The ability of the owner of SMEs to acquire new knowledge is positively associated with the existing stock of knowledge accumulated through education or and experience (Matshekga & Urban 2013:259).

According to Seghers *et al.* (2009:3), the human capital of entrepreneurs can be linked with the knowledge of financing alternatives. Entrepreneurs with higher levels of human capital as measured by education and previous experience should have a lower knowledge gap. SME owners with higher levels of education and previous experience (generic human capital) have a higher probability of learning about alternatives methods of finance. In addition, SME owners with previous experience may have in the past negotiated with financiers. This suggests that SME owners with higher levels of generic human capital will have a greater knowledge of financing alternatives. In addition, SME owners with business education (specific human capital) should already have information about financing alternatives.

Furthermore, SME owners with previous experience related to accounting and finance (specific human capital) may have in the past negotiated with financiers in the past and have better growth potential (Colombo & Grill 2005:795). This suggests that both generic and specific human capital can assist in the knowledge of financing alternatives. It is hypothesised that SME owners with higher levels of specific and generic human capital will have a significantly higher knowledge of financing alternatives.

3.5 Social capital and knowledge of financing alternatives

Social capital increases a firm's legitimacy which in turn positively influences access to external financing by the firm. Social capital is a measure of the character and capacity of SME owners (Ngoc *et al.* 2009:872). Social capital is a means of reducing the problem of information asymmetry between parties. SME owners may be able to obtain financial resources through direct and indirect ties. Direct ties occur if the two parties have been involved in interactions prior to negotiation for resources. Indirect ties exist if the two parties establish their contact through a common third party (Zhang *et al*, 2010:512). According to Seghers *et al.* (2009.4), SME owners with direct ties developed through a close relationship with the providers of finance will have a greater understanding of financing alternatives. In addition, information on financing alternatives can be obtained through interaction with knowledgeable third parties (indirect ties). This suggests that SME owners with higher levels of social capital (measured by direct and indirect ties) will have greater knowledge of financing alternatives. It is hypothesised that SME owners with direct and indirect ties will have a significantly higher knowledge of financing alternatives.

4 Research methodology

The study used the quantitative research method with a descriptive research paradigm. The survey method was used for data collection. The study used self-administered questionnaire to collect data from respondents in Pololwane, Mankweng, Seshego and Mokopane. The four towns are located in the Limpopo Province of South Africa. The study focused on new SMEs (businesses that have existed for not longer than forty two months). The researcher used the convenience and snowball sampling methods because of the difficulty in obtaining the population of new SMEs in the study areas. The research instrument was pre-tested in a pilot study of thirty new SME owners. The pilot study led to some modifications to the questionnaire in order to improve face and content validity. Closed questions were used for all the measures. The Cronbach's alpha was used as a measure of internal consistency. Descriptive statistics and independent samples T-test used for data analysis.

4.1 Measuring the knowledge of financing alternatives

The researcher developed a list of financing alternatives from the literature on financing options such as Seghers *et al*. (2009) and Fatoki (2014). The Five-point Likert scale ranging from "1 not at all knowledgeable", "2 slightly knowledgeable", "3 somewhat knowledgeable", '4 moderately knowledgeable" and "5 very knowledgeable" was used to measure the knowledge of financing alternatives.

4.2 Measuring human capital

Human capital was divided into specific and generic human capital and measured by education and experience. Specific education was measured by "1 business education" and "2 no business education". Specific experience was measured by "1 previous work experience that included management, accounting and finance works" and "2 previous work experience that did not include management, accounting and finance works". General education was measured by "1 if the respondent has a post Matric qualification" and "2 if the respondent has Matric or below qualification". General experience was measured by "1 previous work experience" and "2 no previous work experience". This is consistent with previous empirical studies on human capital (Seghers *et al*. 2009), (Matshekga & Urban 2013).

4.3 Measuring social capital

Social capital was divided into direct and indirect ties. Three questions were used to measure direct ties (1) Before I stated business, I had a professional relationship with someone that is knowledgeable in finance (2) Before I stated my business, I was engaged (club, sport) in an informal social activity with someone that is knowledgeable in finance and (3) Before I started by business, someone knowledgeable in finance was a friend. Three questions were also used to measure indirect ties. (1) Someone that I am confident to discuss my business with knows at least one person knowledgeable in finance. (2) Someone whose judgment I trust can link me with at least one person knowledgeable in finance and (3) I can obtain information about finance through my network of contacts. The responses for direct and indirect ties were coded as "1 yes" and "2 no". The measures are consistent with previous empirical studies on social capital (Seghers *et al.* 2009), (Zhang *et al.* 2010).

4.4 Ethical consideration

Ethical clearance was obtained from the Ethics Committee of the University before data collection. The participants were informed about the purpose of the investigation and that information obtained will be used for research purposes only. Participation was voluntary and the participants were informed that they could opt out of the survey at any time. The participants were assured that their anonymity would be maintained. The names of the SMEs were not included in the questionnaire. All this information was stated on the cover page of the questionnaire. Consent forms to confirm participation in the study were given to all the participants.

5 Results and discussions

5.1 Normality and reliability

The Kolmogorov-Smirnov test test was used to test the normality of the data. The significance of the Kolmogorov-Smirnov test was greater than 0.05. This implies that the normality of the data can be assumed. The Cronbach's alpha coefficients for all the financing alternatives, human and social capital were greater than 0.70. This indicates the internal consistency of measures.

5.2 Response rate and biographical details

300 questionnaires were distributed to the owners of new SMEs in the study areas and 136 questionnaires were returned. The study achieved a response rate of 45.3%. 75 respondents were in the retail sector and 61 in service sector. The gender composition of the respondent was 89 males and 47 females. 39 respondents had no employees, 78 respondents had 1-4 employees and 19 respondents had more than 5 or more employees.

5.3 Human capital

58 respondents had post matric qualifications and 78 respondents had Matric or below. 64 did business courses either at Matric or post Matric level and 72 did not do business related courses. 62 respondents had related business experience and 74 had no previous experience before start-up. 30 respondents had previous work experience that included management, accounting and finance works and 32 respondents had previous work experience that did not include management, accounting and finance works.

5.4 Social capital

Direct ties: 51 respondents answered yes and 85 respondents answered no to the question "Before I stated business, I had a professional relationship with someone knowledgeable in finance (a banker or a finance expert)". 45 respondents answered yes and 91 respondents answered no to the question "Before I stated my business, I was engaged (club, sport) in an informal social activity with someone knowledgeable in finance". 39 respondents answered yes and 97 respondents answered no to the question "Before I started by business, someone knowledgeable in finance was a friend yes".

Indirect ties: 37 respondents answered yes and 99 respondents answered no to the question "Someone that I am confident to discuss my business with knows at least one person knowledgeable in finance". 37 respondents answered yes and 99 respondents answered no to the question "Someone who I trust can link me with who is knowledgeable in finance". 44 respondents answered yes and 92 respondents answered no to the question "I can obtain information about finance through my network of contacts".

5.5 Descriptive statistics on financing alternatives

Table 1 depicts the knowledge of financing alternatives by the owners of new SMEs. The results indicate that for debt alternatives, SME owners have a good knowledge of overdrafts, loans, trade credit and micro finance. The knowledge of other debt-related instruments such as factoring and leasing is rather weak. Furthermore, the knowledge of government financial assistance programmes is very weak. Government agencies such as the Small Enterprise Finance Agency provide guarantees and loans to new SMEs. The weak knowledge of these debt-related instruments and programmes suggest that new SME owners will not be able to use these facilities if and when they need external finance.

The results as shown by table 1 reveal that new SME owners have a good knowledge of contribution from family and friends and retained earnings. According to Bhaird & Lucy (2008:312), new SMEs tend to draw initial capital from internal sources. The knowledge of other traditional forms of equity such as venture capital and business angel is not strong. In addition, the knowledge of the Alt-X is not strong. However, this is understandable as only a few new SMEs can list on the Alt-X exchange. The criteria for a listing on the Alt-X securities market are very strict. Shane (2008) points out that access to venture capital is very limited for new SMEs. Venture capitalists often enter the firm at the middle or later stages of its life cycle. Venture capitalists are not interested in the small amounts sought by most new SMEs. In addition, the knowledge of financial bootstrapping and Islamic financial products is very weak. An innovative source of equity that new SMEs can tap is crowdfunding. The results indicate a very weak knowledge of crowdfunding. Crowdfunding depends on access to the Internet. Awareness of this innovative source of finance may be low because of the low usage of the internet by SMEs. Studies such as Dlodlo & Dhurup (2010) and Gareeb & Naicker (2015) find that the internet usage rate by SMEs is very low in South Africa.

5.6 The effect of human capital on the knowledge of financing alternatives

Table 2 presents the summary of the T-test results for effect of human capital on the understanding of financing alternatives. The results indicate that new SME owners with higher level of education, that attended business courses and related experience prior to start-up have a better understanding of financing alternatives as depicted by the means. There are significant differences (sig. $\leq$ 0.05) in the level of education (generic human capital) and business courses (specific human capital) and the knowledge of factoring, venture capital, Alt-X, bootstrapping, Islamic banking and crowdfunding.

5.7 The effect of social capital on the knowledge of finacing alternatives

The results as depicted by table 3 show that new SME owners with social capital as measured by direct and indirect ties have a better knowledge of financing alternatives as depicted by the means. The only measure of social capital that revealed a significant difference (sig. $\leq$ 0.05) as evidenced by the T-test is “Someone who I trust can link me with who is knowledgeable in finance”. This is an indirect tie.

6 Conclusion

New SMEs are fundamental to the growth of the South African economy and its future socio-political stability**.** 75% of new SMEs created in South Africa fail within the first two years of operation. Various challenges and impediments prevent the creation of new SMEs as well as cause the high failure rates of new SMEs in South Africa. One of these is the non-availability of formal sector financing. The study investigated the effect of human and social capital on the knowledge of financing alternatives. The results indicated that new SME owners higher levels of generic and specific human capital prior to start-up have a better knowledge of financing alternatives. There are significant differences in the level of education and business courses and the knowledge of factoring, venture capital, Alt-X, bootstrapping, Islamic banking and crowdfunding. New SME owners with social capital as measured by direct and indirect ties have a better knowledge of financing alternatives. The only measure of social capital that revealed a significant difference is the “someone who I trust can link me with who is knowledgeable in finance”. This is an indirect tie.

7 Recommendations

It is important for new SME owners to be involved in training and workshops on sources of finance. Many universities and non-governmental organisations that support entrepreneurship in South Africa have training and educational programmes directed at small business owners. Commercial banks in South Africa have credit products directed at SMEs. These programmes are on the websites of commercial banks. It is important for commercial banks to create awareness of the existence of these programmes. Most SME owners do not have access to Internet facilities and so may not be aware of commercial banks and government finance programmes. It is important for government agencies such as the Small Enterprise Finance Agency, the Small Enterprise Development Agency and the Department of Small business to create for government financing options for SMEs. SME owners should improve on Internet usage. Improved usage of the internet can allow small business owners to understand innovative financing product such as crowdfunding which is Internet based. In addition, small business owners should have mentoring arrangement with successful business owners in order to be aware of the various financing options. Government agencies such as SEFA should have field agents that can visit small business owners and create awareness of financing alternatives. Universities, especially the Departments of Business Management should make it as part of their community engagement to visit new business owners and inform them about financing options. The Banking Association of South Africa and the commercial banks should create awareness about the existence of new products such as Islamic finance

8 Limitations and areas for further study

Because of the difficulty in obtaining the population of new SME owners in the study area, the researcher used both convenience and snowball sampling methods. These are non-probability sampling methods. This could have created sampling bias. Other studies can investigate the effect of other entrepreneurs' characteristics such as the gender and age of small business owners on the knowledge of financing alternatives.

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Table 1. Knowledge of financing alternatives

Knowledge of financing alternatives	Mean	Standard deviation
Debt related		
Overdraft	3.62	1.02
Loans	3.55	1.05
Factoring	2.53	0.97
Leasing	2.82	0.92
Hire purchase	3.14	0.97
Trade credit	4.32	1.01
Government financial assistance programmes	2.44	1.01
Micro finance	3.52	1.04
Equity		
Contribution from family and friends	4.02	1.02
Retained earnings	3.50	1.04
Venture capital	2.48	0.97
Business angel	2.78	0.92
Alt-X stock exchange	1.22	0.76
Bootstrapping	1.95	0.79
Crowdfunding	1.26	0.81
Islamic finance	1.30	0.78

Table 4. T-test results of the effect of social capital (indirect ties) on the knowledge of financing alternatives

Financing alternatives	Trust			Contact		
Debt	Mean	T	Sig	Mean	T	Sig
Overdraft	3.70	2.05	.597	3.50	1.75	.176
	3.57			3.74		
Loans	3.60	2.07	.654	3.41	1.41	.354
	3.51			3.68		
Factoring	3.04	1.96	.354	2.66	2.07	.208
	2.20			2.39		
Leasing	3.32	1.49	.652	3.00	2.33	.205
	2.68			2.86		
Hire purchase	3.53	1.85	.110	3.28	1.09	.191
	2.89			3.00		
Trade credit	3.87	1.49	.487	3.71	1.65	.107
	3.57			3.67		
Government	2.87	2.27	.806	2.54	2.22	.155
	2.17			2.33		
Micro finance	3.49	1.37	.066	3.32	1.96	.109
	3.21			3.32		
Equity						
Family and friends	3.83	3.28	.082	3.69	1.77	.125
	3.69			3.80		
Retained earnings	3.60	1.83	.059	3.51	3.48	.120
	3.43			3.48		
Venture capital	3.00	1.45	.074	2.62	2.76	.107
	2.15			2.35		
Business angel	3.28	2.07	.077	2.99	3.67	.129
	2.46			2.58		
Alt-X	2.75	2.24	.086	2.38	3.62	.320
	1.90			2.09		
Bootstrapping	2.60	2.06	0.91	2.26	1.47	.214
	1.85			2.01		
Crowdfunding		1.98	.004	2.01	1.05	.101
	2.25			1.58		
	1.51					
Islamic finance	1.77	1.92	.015	1.63	2.23	.104
	1.42			1.48		

Sig. ≤ 0.05

Table 2.T-test results of the effect of human capital on financing alternatives

Financing alternatives	Level of education			Business course			Related experience			Previous experience included finance		
	Mean	T	Sig	Mean	T	Sig	Mean	T	Sig	Mean	T	Sig
Debt												
Overdraft	3.97 3.25	1.14	.481	4.05 3.25	1.00	.480	4.03 3.24	1.08	.572	4.03 4.03	1.08	.480
Loans	3.90 3.18	1.13	.157	4.00 3.15	0.97	.505	3.98 3.14	5.09	.533	4.03 3.94	1.11	.990
Factoring	3.40 1.61	1.02	.000	3.55 1.63	1.04	.002	3.48 1.63	4.01	0.07	3.44 3.61	1.04	.718
Leasing	3.64 2.18	0.98	.986	3.75 2.21	0.79	.750	3.70 2.21	3.26	.302	3.65 3.84	1.04	.921
Hire purchase	3.76 2.49	0.268	.846	3.88 2.49	0.99	.571	3.85 2.48	1.00	.305	3.82 3.94	2.26	.842
Trade credit	4.09 3.27	1.022	.210	4.19 3.25	1.00	.611	4.17 3.24	4.25	.405	4.32 4.00	0.97	.501
Government	3.11 1.73	1.09	.131	3.25 1.73	1.10	.162	3.18 1.75	3.60	.103	3.29 3.13	2.24	.287
Micro finance	3.66 2.97	0.99	.227	3.80 2.90	0.99	.803	3.79 2.89	4.00	.101	3.74 3.84		.137
Equity												
family and friends	4.07 3.40	1.00	.140	4.16 3.38	0.86	.250	4.14 3.38	4.823	.207	4.24 4.03	0.97	.565
Retained earnings	3.83 3.15	1.20	.125	3.94 3.11	1.12	.133	3.92 3.10	4.60	.202	3.97 3.87	1.06	.480
Venture capital	3.39 1.54	1.00	.000	3.53 1.56	1.00	.003	3.01 2.02	3.09	.101	3.35 3.68	1.01	.918
Business angel	3.63 1.90	1.07	.107	3.72 1.96	1.10	.210	3.70 1.93	3.60	.160	3.65 3.74	1.09	.492
Alt-X	3.06 1.37	0.99	.002	3.17 1.41	0.99	.004	2.62 2.01	4.00	.201	3.03 3.29	1.06	.032
Bootstrapping	2.93 1.31	0.87	.002	3.03 1.36	1.20	.036	2.98 1.35	4.01	.024	2.85 3.19	1.06	.019
Crowdfunding	2.33 1.24	1.01	.000	2.39 1.27	1.01	.000	2.36 1.27	3.26	.002	2.44 2.32	1.00	.269
Islamic finance	1.90 1.19	0.99	.000	1.95 1.21	1.11	.000	1.64 1.50	4.02	.130	2.00 1.90	2.01	.247

Sig. ≤ 0.05

Table 3. T-test results of the effect of social capital (direct ties) on the knowledge of financing alternatives

Financing alternatives	Professional relationship			Informal relationship			Friend		
	Mean	T	Sig	Mean	T	Sig	Mean	T	Sig
Debt									
Overdraft	3.98	1.07	.719	3.92	1.55	.968	3.92	1.75	.865
	3.39			3.46			3.50		
Loans	3.92	1.02	.536	3.85	1.24	.745	3.85	1.04	.773
	3.31			3.38			3.43		
Factoring	3.49	1.02	.481	3.42	1.01	.626	3.36	1.22	.266
	1.92			2.04			2.19		
Leasing	3.72	1.10	.176	3.63	1.07	.282	3.62	1.76	.116
	2.43			2.55			2.65		
Hire purchase	3.87	0.99	.258	3.79	1.05	.657	3.82	1.04	.253
	2.68			2.79			2.87		
Trade credit	4.15	2.26	.957	4.10	1.01	.597	4.15	2.01	.463
	3.39			3.46			3.50		
Government	3.13	2.20	.479	3.21	1.04	.530	3.28	1.97	.245
	2.00			2.02			2.10		
Micro finance	3.75	2.01	.468	3.63	1.04	.214	3.67	1.04	.102
	3.05			3.16			3.18		
Equity									
Family and friends	4.11	1.07	.104	4.06	1.11	.448	4.10	1.22	.673
	3.51			3.57			3.60		
Retained earnings	3.91	1.22	.561	3.85	1.02	.916	3.87	1.06	.444
	3.24			3.30			3.35		
Venture capital	3.47	1.09	.819	3.38	2.21	.955	3.31	1.39	.102
	1.86			2.00			2.15		
Business angel	3.70	1.24	.674	3.58	1.97	.446	3.51	1.40	.052
	2.20			2.35			2.49		
Alt-X	3.17	1.29	.962	3.06	1.55	.363	2.97	1.22	.052
	1.64			1.79			1.94		
Bootstrapping	3.04	1.07	.704	2.92	1.50	.295	2.82	1.09	.031
	1.57			1.72			1.87		
Crowdfunding	2.34	1.05	.037	2.40	1.26	.014	2.44	1.77	.007
	1.45			1.47			1.54		
Islamic finance	1.81	1.22	.060	1.85	1.04	.036	1.95	1.04	.012
	1.39			1.39			1.40		

Sig. ≤ 0.05